

Gorbachev Should Pay Lithuania

By Lawrence Summers

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On Sunday the Lithuanian Parliament unanimously adopted a declaration asserting Lithuania's independence from the Soviet Union. Even though Mikhail Gorbachev has termed the action "illegal and invalid," his overall response to Lithuania's struggle for autonomy has been reasonable. The one startling exception is Mr. Gorbachev's demand that Lithuanians buy their freedom from the Soviet Union for \$33 billion — a demand that is, morally and practically, extortion.

Mr. Gorbachev and the Politburo have explicitly and repeatedly, if reluctantly, acquiesced in the principle that Soviet republics have the right to secede. They recognize that whereas the American colonies voluntarily entered into a union and ratified the Constitution, Soviet republics never

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took any such step. In many cases, as in Lithuania, they were annexed with the use of force over the bitter protests of their citizens.

In setting a price at which Lithuania could buy its independence, Moscow went further and explicitly acknowledged that independence would come and that it was only the details that remained to be negotiated.

Unfortunately, the \$33 billion ransom asked by Mr. Gorbachev is financially and morally absurd. Today, at free-market exchange rates, which are one-20th of the ludicrous official Soviet rates used in Mr. Gorbachev's calculations, \$33 billion translates into about 500 billion rubles.

This compares with total savings of all Lithuanians and all Lithuanian enterprises of less than 15 billion rubles and a total annual income of Lithuanian workers of at most 10 billion rubles. There were no reliable appraisals of Lithuania's capital stock, but the level of its income makes it very unlikely that it is worth as much as 50 billion rubles — one-tenth of what Mr. Gorbachev is asking.

Mr. Gorbachev's moral calculus is no better than his arithmetic. He seems to believe that Lithuania should buy all of the Soviet-owned

capital in Lithuania as compensation for leaving the Soviet Union. The logic fails on at least two counts.

First, official Soviet statistics reveal that only about half the deposits that Lithuania's citizens have made in Soviet banks over the last two decades have been reinvested in Lithuania. The rest have been invested in

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other republics. It stands to reason that Lithuania's claim on Soviet assets outside Lithuania exceed the Soviet claim on Lithuanian assets. Actually, the Soviets should compensate the Lithuanians for renouncing their ownership share in all the non-Lithuanian assets of the Soviet state!

Second, there is a long moral and legal tradition that oppressors pay reparations to the oppressed, not the other way around. Stalin killed or de-

ported one-third of Lithuania's population and seized the farmland of hundreds of thousands of families. The K.G.B. has maintained an active presence in Lithuania ever since. And Soviet economic management has impoverished Lithuania. In 1940, an independent Lithuania enjoyed a standard of living that was about equal to Finland's. Today, Lithuania lags by 50 percent or more.

There is ample economic opportunity for the new Lithuanian republic. Situated less than 1,000 miles from Western Europe, and highly skilled and educated, its workers now earn less than 15 cents an hour — one-tenth of the wage rate of South Korea. Its new leaders have made clear their determination to replace the Soviet ruble with a real currency and to move toward a market economy. Over time, there is no reason why Lithuania and the other Baltic states cannot enjoy standards of living approaching those in Finland, which also lies on Russia's border and trades heavily with it.

Leaving aside Mr. Gorbachev's absurd ransom demand, arranging Lithuania's withdrawal from the Soviet Union will not be easy. Imagine what would have to be negotiated for New York to secede — only assume that all of New York's companies were owned and operated out of Washington and you get an idea of the problem. The Lithuanian economy will lose its Soviet shackles, but also the heavy subsidies for raw material inputs that it received as a Soviet state. As always when radical surgery is required, things get worse before they get better.

Here's where the West can step in. It is ironic that the United States, which has never recognized the Soviet conquest of the Baltics and annually proclaimed its fealty to Lithuanian independence, has now backed off and simply urged orderly negotiations. U.S. recognition of Lithuania would make it much easier for Lithuania to get the aid for economic transition it requires from the world's financial institutions.

Lithuania's bold step begins what may well be the dismantling of the Soviet empire. Many other Soviet republics will soon follow. How the West responds to these demands could determine the future of what is now the Soviet Union and, with it, the world's geopolitical configuration as a new millennium begins.

If the Soviets had permitted it, the U.S. would surely have given independent Baltic republics Marshall Plan assistance 40 years ago after World War II. Why have 40 more years of oppression and impoverishment made the Lithuanians any less deserving of urgent U.S. assistance? □